Before the

FEDERAL COMMUNICATIONS COMMISSION

Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund Phase II Support for Price Cap Areas Outside of the Contiguous United States	)))	WC Docket No. 10-90

COMMENTS OF SANDWICH ISLES COMMUNICATIONS, INC.

Sandwich Isles Communications, Inc. ("Sandwich Isles" or "SIC") herein files its comments on Connect America Fund Phase II support for price cap areas outside of the contiguous United States, pursuant to the Public Notice released by the Commission on February 8, 2013. In this notice, the Wireline Competition Bureau invites comments on various options for providing Connect America Fund Phase II support to price cap carriers serving such areas and the associated obligations that come with the receipt of such support.

Effectively Meeting the Needs of Alaska/Hawaii/Tribal lands/ and Other Remote Areas

The goal of the FCC National Broadband Plan is to extend broadband networks and connectivity into unserved and underserved areas of rural America. This comes with a price, and the Commission has determined to accomplish needed infrastructure deployment within the budgetary limits of current Universal Service support. However, this must be meshed with the compelling need to recover prior investments that have been made in good faith based upon the previous regulatory regime – investments which, in many parts of Alaska, Hawaii, Tribal lands, and other remote areas would not have been made but for the availability of Universal Service support. Some of the broadband service that has been provided in these areas may fail, if that support is reduced or eliminated as decided by the Commission's Transformation Order. The ABC and RLEC plans proposed by the industry to the Commission prior to its adoption of the Transformation Order attempted to rationalize several competing goals for a majority of the industry players, large and small, so that all Americans would benefit from the further deployment and adoption of broadband service.

However, commenters from the insular states of Alaska and Hawaii identified unique circumstances in those two states, which, even if the industry plans were implemented in concert, would derail the Commission's goals. For example, a large Alaskan CETC states, "GCI recognizes the importance of reforming USF and intercarrier compensation, yet urges the Commission to carefully consider the implications of reform proposals on Alaska. Numerous portions of others' reform plans are inappropriate for Alaska, and if implemented, would be disastrous for consumers and carriers in the state. . ."[1] GCI goes on to state, "The various proposals before the Commission – and in particular the ABC Plan and the RLEC Plan, designed as national plans – fail to address in many other ways the unique challenges of Alaska's geographic and telecommunications marketplace."[2]

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1 General Communication, Inc. (GCI), Comments in the Matter of Connect America Fund, et al., WC Docket No. 10-90, et al., filed August 24, 2011, at 29.

2 General Communication, Inc. (GCI), Comments in the Matter of Connect America Fund, et al., WC Docket No. 10-90, et al., filed August 24, 2011, at 5.

In a similar vein Hawaiian Telcom offers this statement of concern, "HT urges the Commission to recognize the special circumstances that have made it so challenging to deliver broadband in Hawaii. . . the nation's most isolated state. . ."[3] Hawaiian Telcom further states, "HT cited in its reply comments numerous comments supporting special consideration for Hawaii, not least of all because of the historically underserved native population dispersed throughout the state."[4]

Although fiscal responsibility has always been a key consideration in the formulation of USF programs and rules, clearly the challenges are significantly greater and the costs to build and operate broadband networks in these two insular states are very high even when compared to other high-cost, rural areas within the Lower 48. The experience to date in the CAF Phase I Incremental Support FNPRM shows that price cap carriers are not committed to deploying broadband infrastructure within some of their own rural and insular service areas, having walked away from $185 million of support funds.

Offered as a conceptual approach to funding Alaska/Hawaii/Tribal lands/ and other remote areas extraordinary needs, this Commission may determine that it is in the public interest to repurpose a portion of the CAF Phase II support for price cap carriers to the small RLECs and tribally owned carriers that serve extraordinarily high-cost areas. The record is clear in establishing the conclusion that Alaska/Hawaii/Tribal lands/ and some other remote areas within the continental U.S. cannot be economically served, and have been ignored by price cap carriers because their business plans are not inclusive of these areas. However, it would be a violation of the Telecom Act of 1996, if the USF/ICC reform should be implemented in a way that creates a

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[3] Hawaiian Telcom, Inc. (HT), Comments in the Matter of Connect America Fund, et al., WC Docket No. 10-90, et al., filed August 24, 2011, at 20.

[4] *Ibid.*, at 3.

public safety, health, and educational divide between Alaska/Hawaii/Tribal lands/other extraordinarily high-cost, remote areas and the rest of the U.S.

A separate funding mechanism stemming from the repurpose of CAF Phase II price cap funding that recognizes the unique nature of these non-contiguous states, Tribal lands, and other remote areas is appropriate to help the consumers and small carriers in these states receive commensurate benefits from the expansion of broadband networks in high-cost to serve areas of rural America. These repurposed support funds would be used on an "as needed" basis as a "safety net" under the reformed USF and ICC programs to offset at an appropriate level of support, as determined by this Commission, the additional funding needs of small RLEC and tribally owned providers that are ETCs with COLR obligations in these areas. In addition, the wireless CETCs operating in the highest cost areas of these two insular states should draw support from the Mobility Fund, if through a showing of actual cost, additional support were justified to remain viable.

The Native Telecom Coalition for Broadband (NTCB) has proposed a "safety-net" concept for the wireline ETCs serving Tribal lands. A mechanism similar to the NTCB proposal could satisfy the requirement for "specific, predictable, and sufficient" support for the small rate-of-return ETCs in Alaska, Hawaii, Tribal lands, and other remote areas. And the GVNW developed cost model, WiPan, could be used to determine whether additional support from the Mobility Fund was justified for the wireless CETCs operating within these two states, based on their individual company costs.

Respectfully submitted,
Sandwich Isles Communications, Inc.

/s/ Albert S.N. Hee____
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